Council, has been held on 5th-6th August, 2005 at Kochi at which **a** Joint Statement of conclusions was adopted A copy of the Statement is attached. [Refer to the Statement-I appended to the answer to Unstarred Question No. 2280]

The Ministry has now initiated a process of visiting each of the States/ UTs to review with the authorities concerned the progress in implementing the points for action contained in the compendium. It is expected that this will accelerate the base of implementation of provisions of Part IX, read with Article 243ZD of the Constitution and bring about greater conformity, in both letter and spirit, to the Constitutional provisions of Panchayati Raj in all States/UTs concerned.

Implementation of constitutional provisions by Panchayats

2282. MS. PRAMILA BOHIDAR: Will the Minister of PANCHAYATI RAJ be pleased to state:

(a) whether all the States have implemented the provisions of the 73rd and 74th amendments to the Constitution of India regarding devolution of power to the Panchayats under the three tier development administration system;

(b) if not, what are the reasons for the same; and

(c) what steps Government are taking to see that all the States implement the provisions?

THE MINISTER OF PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR): (a) and (b) All States to which the Constitution 73rd Amendment Act applies have devolved powers and responsibilities to Panchayats in varyiitf measure, except Jharkhandand Pondicherry where elections to Panchayats are yet to be held. Elections are now scheduled to be held in Jharkhand in September-October 2005.

However, implementation of Article 243ZD under the 74th Amendment relating to constitution of District Planning Committees has been uneven. A letter was sent by the Union Ministry of Panchayati Raj to Secretaries of Panchayati Raj in the States/UTs on 30.5.2005 requesting them to constitute DPCs in their respective States in conformity with

Constitutional provisions if these have not been constituted or require modification to bring them in line with the Constitutional provisions. Their attention was also drawn to the meetings of the Chief Secretaries and Secretaries of Panchayati Raj in the States/Union Territories held on 11.4.2005 where it was stressed that States that have not constituted I DPCs in accordance with Article 243ZD of the Constitution should do so within 31st October, 2005.

(c) The Ministry of Panchayati Raj convened seven Round Table meetings with State Ministers in charge of Panchayati Raj and evolved, by consensus, a set of around 150 points for action which have been put together in a compendium that was adopted unanimously at the conclusion of the last Round Table in Jaipur. The joint programme of action seeks to ensure that on the basis of Activity Mapping, Panchayats at various levels are devolved with funds, functions and functionaries to enable them to emerge as institutions of self government. The Sixth Round Table at Guwahati also devised measures to undertake formal audit and to institutionalize social audit measures so that Gram Panchayats are made responsible, through the Gram Sabha, to the village community as a whole. The relevant extract from the conclusion is Statement (See below).

A Committee of Chief Secretaries of States and State Panchayati Raj Secretaries has been constituted under the Chairmanship of Secretary (Panchayati Raj) to monitor the progress on the implementation of the 150 action points listed in the compendium and to report to Council of State Ministers of Panchayati Raj under the Chairmanship of the Union Minister for Panchayati Raj. Two review meetings of the Committee have so far been held on the 11th April, 2005 and 29th June, 2005. The inaugural meeting of the Council was held on 5th-6th August, 2005 at Kochi at which a joint Statement of conclusions was adopted. A copy of the statement is attached. [Refer to the Statement \ appended to the answer to Unstarred Question No. 2280.]

The progress in devolution of functions was reviewed and it was noted that while in some States, the preliminary work has been completed in terms of the assignment of functions to the three levels of panchayats, in several more, the matter is pending at the finalization stage.

[Refer to the Statement I appended to the answer to Unstarred Question No. 2280.]

The Ministry has now initiated a process of visiting each of the States/UTs to review with the authorities concerned the progress in implementing the points for action contained in the compendium. It is expected that this will accelerate the pace of implementation of provisions of Part IX, read with Article 243 ZD of the Constitution and bring about greater conformity, in both letter and spirit, to the Constitutional provisions of Panchayati Raj in all States/UTs concerned.

Statement

Sixth Round Table of Ministers In-charge of Panchayati Raj - Guwahati, 27-28 *November 2004*

Audit

(i) Since local bodies are now institutions of local self-government, it is necessary to upgrade the work of the Director of Local Fund Audit (DLFA) and other similar bodies to the level required by Constitutional imperatives and, to this end, for DLFA and other similar bodies to work in concert with the Comptroller and Auditor General of India (C&AG).

(ii) In recognition of PRIs being institutions of local self-government, PRIs themselves should be associated with the preparation of standards and norms and the emphasis should be on fund management and fund tracking, rather than simply on fund flow, to ensure greater accountability.

(iii) In order to ensure that such audit contributes effectively to capping, reducing and eventually eliminating the scope for corruption in Panchayati Raj Institutions (PRIs), it is necessary that audit and accounting standards appropriate to the work of the Panchayats be established and observed. These standards should be elementary, simple and easily comprehensible to the elected representatives, and should focus on:

- when transactions should be looked into;
- what should be monitored;

- how the transactions should be documented; and
- how they should be disclosed.

(iv) There is need to establish an internal audit system at every tier of the Panchayati Raj system and to regard C&AG audit (or audit by bodies certified or technically guided by C&AG) as complementary external audit.

(v) Audit, to be effective, might include the establishment of a National Accounting Standard Eoard (NASB) for local government accounts and be complemented by the establishment of audit commissions or similar such regulatory bodies at the State level.

(vi) Besides, arrangements may be made in State Legislatures for the establishment of Public Accounts Committee (PACs) . specifically for PRIs or for the accounts of PRIs to be submitted to PR Committees of the State Legislatures. State level committees, as in Andhra Pradesh, for the settlement of audit paras may also be considered.

(vii) It may be useful to complement such institutional arrangements by legislating an appropriate Fiscal Reponsibility Act for elected local authorities.

(viii) Outsourcing of accounting by such measures as village panchayats being authorized to employ certified Chartered Accountants against standard contracts might be considered.

(ix) The training of both officials and elected representatives in sound accounting and audit practices is a high priority. To this end, State Governments are invited to make full use of the Regional Training Institutes (RTIs) functioning under the aegis of the C&AG, in particular the RTI at Kolkata which has been declared a centre of excellence; as also of the Institute of Public Auditors of India (IPAI). Substantial additional funding from the Union Government to facilitate training is a high priority.

(x) Those State Governments which have not as yet availed of the arrangements for bringing the C & AG into the exercise of accounting and audit, including the C&AG's Technical

Guidance and Supervision (TGS) Scheme for the PRIs, are invited to do so and the attention of all concerned is drawn to the publications of the Indian and Audit Accounts Department, in particular.

(a) Auditing Standards for PRIs and Urban Local Bodies

(b) Guidelines for Certification of Audit of Accounts of PRIs

(c) Training module of Audit of Gram Panchayats

(xi) Given the shortage of staff for undertaking formal accounts and audit work in the lakhs of Village Panchayats, thousands of Intermediate Panchayats and hundreds of Zilla Parishads around the country, it is essential that automation and computerization of accounts be undertaken with all deliberate speed and to this end software like the one beinq prepared by the Xavier Institute of Management, Bhubaneshwar for the Orissa State Government, for maintaining day-to-day accounts, which is expected to be ready by early 2004, be deployed as widely as possible everywhere.

(xii) Social audit is an important complement to formal audit and for the sound and healthy development of Panchayati Raj, it is essential to establish a symbiotic relationship between social and formal audit.

(xiii) Social audit must necessarily be undertaken at the level of the Gram Sabha but might also be undertaken at higher levels of the Panchayat Raj system, as in West Bengal.

(xiv) For social audit to be effective and based on the best practices available in different States, consideration might be given to the preparation of Social Audit Policies for adoption by State Legislatures/Governments so as to provide a framework within which social audit is undertaken. Such Social Audit Policies may be targeted at facilitating popular participation in fighting corruption in Panchayats, as also complementing formal audit processes by quality assessment, ascertainment of preferences and the provision of choices. At the same time, Social Audit Policies may provide for institutional measures to prevent needless harassment.

(xv) To ensure appropriate follow-up to issues raised through social audit, legislative bodies and regulatory authorities might treat social audit resolutions on par with formal audit paras to ensure consideration and disposal within a time-bound frame work.

(xvi) Given the critical importance of total disclosure of information for effective social audit, States might consider passing Right to Information legislation, taking into account the legislation already on the books in such states as Rajasthan.

Financial and administrative powers for Panchayati Raj Institutions

†2283. SHRI JANESHWAR MISHRA: Will the Minister of PANCHAYATI RAJ be pleased to state:

(a) the details of measures being taken to equip the Panchayati Raj Institutions in the country with financial and administrative powers;

(b) whether measures taken in the past have yielded positive results, if so, the details thereof;

(c) whether he has recently made visits to review the working of different institutions of the country; and

(d) if so. the steps taken by Government to solve the problems informed by the representatives of these institutions?

THE MINISTER OF PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR): (a) and (b) A joint programme of action has been chalked out at the seven Round Tables held last year between the Union Minister of Panchayati Raj and State Ministers of Panchayati Raj to ensure that on the basis of Activity Mapping, Panchayats at various levels are devolved with funds, functions and functionaries to enable them to emerge as institutions of self-government, as envisaged in Article 243G of the Constitution. The Sixth Round Table at Guwahati also devised measures to undertake formal audit and to institutionalize social audit measures, so that Gram Panchayats are made responsible, through the Gram Sabha, to the village community as a whole. The relevant extract from the conclusions is attached as statement,

[Refer to the Statement-I appended to the answer to unstarred question No. 2282.] †Original notice of the question was received in Hindi.